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RECORDATION NO. 1794 1988

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INTERSTATE COMMERCE COMMISSION

October 11, 1988

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INTERSTATE COMMERCE COMMISSION

100 OFFICE OF
THE SECRETARY
OCT 11 9 30 AM '88
MOTOR OPERATING UNIT

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Room 2215
Washington, D.C. 20423

Dear Ms. McGee:

Enclosed for filing and recordation pursuant to the provisions of 49 U.S.C. §11303 are the original and one copy of the documents hereinafter described. They relate to the railroad equipment identified below.

1. Lease Agreement dated as of May 15, 1979 by and between BRAE Corporation, as lessor, and Ashley, Drew and Northern Railway Company, as lessee.

2. Indemnification and Amendment Agreement, dated as of January 10, 1980 by and Between BRAE Corporation and Ashley, Drew and Northern Railway Company, amending the Lease Agreement identified in 1. above.

The equipment subject to these agreements consists of 83 railroad cars bearing the marks ADN 4100 through ADN 4199 inclusive; ADN 5300 through ADN 5499, inclusive; and ADN 9700 through ADN 9899, inclusive.

The names and addresses of the parties to the documents are as follows:

Lessor: BRAE Corporation
One Hundred Sixty Spear St.
San Francisco, CA 94105

Lessee: Ashley, Drew & Northern Railway Co.
P. O. Box 757
Crossett, Arkansas 71635

Please file and record the documents previously enumerated and index them under the names set forth above. Since the documents relate to the same transaction, it is requested that all be assigned the same recordation number with consecutive

Robert J. Corber

Ms. Noreta McGee
October 11, 1988
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letter designation for each document after the first listed above.

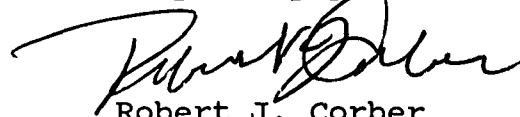
A fee of \$26.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to the person presenting this letter.

A short summary of each document to appear in the index follows:

1. Lease Agreement dated as of May 15, 1979 between BRAE Corporation and Ashley, Drew & Northern Railway Company covering railcars marked ADN 4100 through 4199, ADN 5300 through 5499 and ADN 9700 through 9899.

2. Indemnification and Amendment Agreement dated as of January 10, 1980 between BRAE Corporation and Ashley, Drew & Northern Railway Company covering railcars in Lease Agreement.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Robert J. Corber', written in a cursive style.

Robert J. Corber
Attorney for BRAE
Corporation

Enclosures as stated

Lessee may terminate this Agreement as to all, but not fewer than all, of the Boxcars on any such Schedule by written notice delivered to the other not less than twelve months prior to the end of the initial lease term or any extended lease term.

3. Supply Provisions

A. BRAE will inspect each of the Boxcars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to BRAE that the sample Boxcar which will be made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment as shown in the Schedule. Upon such approval by Lessee and BRAE's determination that the Boxcar conforms to the specifications ordered by BRAE and to all applicable governmental regulatory and AAR specifications, and this Agreement has not been terminated, BRAE will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each of the Boxcars shall be deemed delivered to Lessee upon acceptance by BRAE. The Boxcars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by BRAE as is consistent with mutual convenience and economy, in a manner which is acceptable to the Lessee. Notwithstanding that Lessee may not have immediate physical possession of the Boxcars leased hereunder, Lessee agrees to pay to BRAE the rent set forth in this Agreement. To move the Boxcars to Lessee's railroad line and insure optimal use of the Boxcars after the first loading of freight for each Boxcar on the railroad line of Lessee (the "initial loading"), BRAE agrees to assist Lessee in monitoring Boxcar movements and, when deemed necessary by Lessee and BRAE, to issue movement orders with respect to such Boxcars to other railroad lines in accordance with ICC and AAR interchange agreements and rules.

B. With respect to placement for loading by shippers on Lessee's railroad tracks, Lessee shall place the Boxcars prior to loading all boxcars subsequently leased or purchased by Lessee or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

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INTERSTATE COMMERCE COMMISSION
LEASE AGREEMENT

COPY

THIS LEASE AGREEMENT, made as of this 15th day of MAY, 1979, between BRAE Corporation, Three Embarcadero Center, San Francisco, CA. 94111 a California Corporation, (Lessor), as Lessor, and Ashley, Drew & Northern Railway Company, Crossett Arkansas, an Arkansas Corporation (Lessee) as Lessee.

1. Scope of Agreement

A. BRAE agrees to lease to Lessee, and Lessee agrees to lease from BRAE, boxcars and/or other railroad equipment of the types and descriptions as set forth in any lease schedules executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto whether for boxcars or other railroad equipment, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Boxcars".

B. It is the intent of the parties to this Agreement that BRAE shall at all times be and remain the lessor of all Boxcars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Boxcars as provided herein. The term of lease with respect to all of the Boxcars described on each Schedule shall be for fifteen (15) years commencing upon the date when all Boxcars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five separate and consecutive periods of twelve months each with respect to all of the Boxcars described on each Schedule, provided, however, that BRAE or

C. Additional Boxcars may be leased from BRAE by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Boxcars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by BRAE and Lessee.

4. Railroad Markings and Record Keeping

A. BRAE and Lessee agree that on or before delivery of any Boxcars to Lessee, said Boxcars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. Lessee shall, or if requested by Lessee, BRAE shall at no cost to Lessee, during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Boxcars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents including (at Lessee's option) an application for relief from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. Each Boxcar leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. Lessee shall perform all record keeping functions related to the use of the Boxcars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation unless Lessee elects BRAE to perform these record keeping functions without cost to Lessee. Correspondence from railroads using such Boxcars shall be addressed to Lessee at such address as Lessee, or BRAE at Lessee's request, shall select.

D. All record keeping performed by Lessee or BRAE as the case may be, hereunder and all record of payments, charges and correspondence related to the Boxcars shall be separately recorded and maintained by Lessee or BRAE in a form suitable for reasonable inspection by the other from time to time

during regular business hours of the party maintaining the records. Lessee shall supply BRAE with such reports, including daily telephone reports of the number of Boxcars on Lessee's tracks, regarding the use of the Boxcars by Lessee on its railroad line as BRAE may reasonably request.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, BRAE will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Boxcars during its lease term and any extension thereof, including but not limited to repairs, maintenance, inspection and servicing, unless the same was occasioned by the fault of Lessee while such Boxcar is in the physical possession of Lessee. Lessee shall inspect all Boxcars interchanged to it to insure that such Boxcars are in good working order and condition and shall be liable to BRAE for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to BRAE for and during the lease term of each Boxcar all of its right, title and interest in any warranty in respect to the Boxcars. All claims or actions on any warranty so assigned shall be made and prosecuted by BRAE at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to BRAE, providing however, if Lessee sustains any damages as a result of any breach of warranty on said Boxcars, this assignment shall not be effective but BRAE and Lessee shall have joint right, title and interest to said warranty and to any such recovery thereunder as their interests may appear.

B. Except as provided above, BRAE shall make or cause to be made such inspections of, and maintenance and repairs to, the Boxcars as may be required, including, but not limited to, requirements of any governmental or AAR regulations. Upon request of BRAE, Lessee shall perform, for BRAE's account, any necessary maintenance and repairs to Boxcars on Lessee's railroad tracks as may be reasonably requested by BRAE and which Lessee has, in its opinion, the ability to perform. BRAE shall also make, at its expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the Boxcars in good operating condition throughout the term of the lease of such Boxcars. Lessee may make running repairs to facilitate continued immediate use of a Boxcar, but shall not otherwise make any repairs, alterations, improvements or additions to the Boxcars without BRAE's prior written consent.

If Lessee makes an alteration, improvement or addition to any Boxcar without BRAE's prior written consent, Lessee shall be liable to BRAE for any revenues lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with BRAE.

C. Lessee will at all times while this Agreement is in effect be responsible for the Boxcars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules-- Freight for Cars not owned by Lessee on Lessee's railroad tracks.

Lessee will at all times while this Agreement is in effect (both while cars are on and off line) and at its own expense cause to be carried and maintained, including but not limited to, contingent liability, contractual liability and property damage insurance in an amount and coverage satisfactory to BRAE or maintain a self insurance program which conforms to sound actuarial principles. Such insurance shall be taken out in the name of Lessee and BRAE as their interests may appear. The policies or certificates shall provide that there shall be no recourse against BRAE for the payment of premiums, and shall provide for at least ten (10) business days' prior written notice to be given to BRAE by the underwriters in the event of cancellation or changes in amounts of coverages. If Lessee shall default in the payment of any premium in respect to any such insurance policies, BRAE may, but shall not be obligated to, pay such premium, and charge the amount of such premium to Lessee. Lessee shall furnish BRAE concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months with a certificate of insurance with respect to the insurance carried on the boxcars signed by an independent insurance broker.

D. Lessee agrees to pay for all taxes, assessments and other governmental charges of whatsoever kind or character owed by Lessee relating to each Boxcar and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such boxcar to Lessee or which may be accrued, levied, assessed or imposed during the lease term. BRAE shall forward to Lessee all sales and use tax payments received by it on behalf of Lessee. Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Boxcars.

6. Lease Rental

A. Lessee agrees to pay the following rental charges as full payment for the use of the Boxcars and BRAE's performance hereunder:

(i) BRAE shall receive all payments made to Lessee by other railroad companies for their use or handling of the Boxcars, including but not limited to mileage charges, straight car hire payments and incentive car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "payments"). For the purpose of the Agreement, utilization of the Boxcars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that car hire payments are earned by Lessee on the Boxcars, and the denominator of which is the aggregate number of days in each year that the Boxcars are on lease to Lessee (such term referred to as "utilization").

(ii) If BRAE pays other railroads to move Boxcars in accordance with Section 3A, except for any payments incurred to deliver such boxcars to Lessee's railroad line, Lessee shall reimburse BRAE for such payments.

(iii) The rental charges payable to BRAE by Lessee shall be paid from the payments received by Lessee in the following order until BRAE receives the amounts due it pursuant to this section: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges; and (4) other.

(iv) In the event damage beyond repair or destruction of a Boxcar has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules -- Freight and the appropriate amount due as a result thereof is received by BRAE, said damaged or destroyed Boxcar will be removed from the coverage of this Agreement as of the date that payment of car hire payments ceased.

B. The calculations required above shall be made within five months after the end of each calendar year. However, since the parties desire that rental payments shall be made currently so that BRAE may meet its financial commitments, payments to BRAE shall be made as follows:

(i) In the event Lessee elects to perform all record keeping functions respecting the Boxcars as provided in Section 4C, Lessee will remit to BRAE in as expeditious a manner as is reasonable but no later than the first business day of the third month after the end of each month in which they are earned (the "Service Month") an amount equal to 85% of the total payments earned by the Boxcars based on usage reported for the Service Month and including actual car mileage earnings when available. At the time a Service Month's first remittance is made, Lessee shall report for the same month the dollar figure for 100% of the payments earned. An amount equal to 10% of the payments earned in the Service Month plus any adjustments shall be remitted to BRAE within 30 days after the initial payment and the remaining 5% shall be remitted to BRAE within 60 days of the initial payment. Subsequent to the final payment of a Service Month and after the Lessee has on a best efforts basis been unable to collect 100% of car hire earnings an adjustment to the Lessee's account will be made in the amount determined to be uncollectable. In the case of a bankrupt railroad an adjustment will be made to the Lessee's account in the amount determined to be uncollectable and such adjustment shall be made at the time such bankruptcy is filed. Lessee agrees to continue for a reasonable period on a best efforts basis to attempt collection of all car hire earnings.

(ii) In the event BRAE is to perform record keeping functions respecting the Boxcars as provided in Section 4C, and as a result Lessee receives car hire reports from other railroads respecting the Boxcars, Lessee shall deposit drafts or other payment forms covering car hire payments and on the 5th and 25th of each month remit all amounts collected respecting the Boxcars to BRAE. However, Lessee may deduct any payments authorized to be made by Lessee under this Agreement. Lessee shall also forward to BRAE all car hire reports respecting the Boxcars and other supporting documentation which BRAE may reasonably request.

(iii) Lessee may deduct from rent required by B (i) and B (ii) above, any amounts due Lessee authorized by this Agreement.

C. In the event a fraction, the numerator of which is the aggregate number of days that per diem is earned on the Boxcars in the immediately preceding four (4) calendar quarters commencing with the first full four (4) calendar quarters after receipt of the last Boxcar on the Schedule executed concurrently herewith, and the denominator of which is the aggregate number of days that the Boxcars were available to the Lessee during such period less the aggregate number of days the Boxcars were out of service on foreign railroads not earning car hire revenues for any reason, is less than 87.5 percent, BRAE may, at its option and upon not less than thirty (30) days prior written notice to Lessee, terminate this Agreement with respect to such number of Boxcars up to ninety (90) percent; provided, however, that prior to such termination Lessee may have the option of paying BRAE an amount equal to the difference between the amount BRAE actually received during said four (4) calendar quarters and the amount BRAE would have received had a utilization rate for the Boxcars of 87.5 percent been achieved.

D. BRAE may, at its option, terminate this Agreement upon thirty days' written notice to Lessee if the ICC shall, at any time, (1) issue an order reducing incentive car hire for Boxcars on an annual basis to three months or less without a corresponding increase in straight car hire or other monies available to both BRAE and Lessee at least equal in amount to such reduction, (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this section or (3) require that Lessee spend funds not earned by the Boxcars in order for Lessee to continue to meet its obligations set forth in this section. Lessee may, in any event, terminate this Agreement without liability to BRAE if for any reason governmental regulations or orders prohibit the payment of the Rental Charges described in this Section 6.

E. Subsequent to the initial loading, if any Boxcar remains on Lessee's railroad tracks for more than seven consecutive days because Lessee has not placed said Boxcar for loading, BRAE may, at its option and upon not less than 24 hours' prior written notice, terminate this Agreement as to such Boxcar and withdraw such Boxcar from Lessee's railroad tracks. Placed for loading means Boxcar has been placed at a particular loading location where the Boxcar will be loaded. If any such Boxcar remains on Lessee's railroad tracks more than seven consecutive days because Lessee has not complied with the provisions of Section 3B, Lessee shall be liable for and remit to BRAE an amount equal to the car hire revenues Lessee would have earned if such Boxcars were in the physical possession and use of another railroad for the period such car was replaced by an out of sequence car until loaded provided however that such payments shall be included in car hire payments earned by Lessee on the Boxcars as described in those days Lessee is required to hold Boxcars at the direction of, or due to action taken or used by BRAE.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Boxcars in accordance with the terms of this Agreement and in the manner and to the extent Boxcars are customarily used in the railroad freight business. Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by BRAE in connection with the acquisition of Boxcars, i.e., upon acknowledgement of receipt of notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be made directly to such party and/or that the Boxcars be returned to such party, notwithstanding however, Lessee's rights and obligations under this Lease shall not be altered in any manner. Lessee agrees that to the extent it has physical possession and can reasonably control use of the Boxcars, the Boxcars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either BRAE or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party, and upon prior communication to the other party.

B. Lessee will not directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or other security interest or claim on or with respect to the Boxcars or any interest therein or in this Agreement or schedule thereto. Lessee will promptly at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance, security interest or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an Event of Default:

(i) The nonpayment by Lessee or BRAE of any sum required herein to be paid by Lessee or BRAE within thirty days after the date written notice of any such payment is due.

(ii) The breach by Lessee or BRAE of any other term, covenant or condition of this Agreement, which is not cured within thirty days after written notice thereof by either party to the other.

(iii) Any affirmative act of insolvency by Lessee or BRAE, or the filing by Lessee or BRAE of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee or BRAE that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee or BRAE, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subjection of any of BRAE's property which is the subject of this Agreement, or any of Lessee's property, to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency.

(vi) Any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state if it would materially decrease Boxcar utilization as defined in Section 6A.

(vii) The failure of BRAE to comply with the provisions of section 4 and Section 6B.

B. Upon the occurrence of an Event of Default by Lessee, and such Event of Default is not cured within 30 days, BRAE at its option may terminate this Agreement. Upon the occurrence of an Event of Default by BRAE which has the effect of delaying for a period of greater than 30 days payments otherwise due Lessee pursuant to the terms of this Agreement or which causes Lessee to lose the right to utilize the Boxcars for a period of greater than 30 days, and such Event of Default is not cured (including the reinstatement of Lessee's right to utilize the Boxcars and the payment in full of any delayed payments) within 30 days, Lessee may at its option terminate this Agreement. Upon the occurrence of any Event of Default, BRAE or Lessee if not then in default may, at its respective option, proceed by appropriate court action to enforce performance by the defaulting party of its obligations under the terms of this Agreement or to recover damages for the breach thereof. Lessee and BRAE agree that the defaulting party shall bear the costs and expenses, including reasonable attorney's fees, of any such action. Upon an Event of Default solely of Lessee, BRAE may, by notice in writing to Lessee, terminate Lessee's right of possession of the Boxcars, whereupon all right and interest of Lessee in the Boxcars shall terminate; and thereupon BRAE may by its agent enter upon any premises where the Boxcars may be located and take possession of them and thenceforth hold, possess and enjoy the same free from any rights of Lessee. BRAE shall nevertheless have a right to recover from Lessee any and all Rental Charges which under the terms of this Agreement may then be due or which may have accrued to that date.

9. Termination

A. At the expiration or termination of this Agreement as to any Boxcars, Lessee will surrender possession of such Boxcars to BRAE by delivering the same to BRAE. When all other requirements for expiration or termination have occurred, a Boxcar shall be deemed terminated and no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Boxcar and the placing thereon of such markings as may be designated by BRAE, either, at the option of BRAE, (1) by Lessee upon return of such Boxcars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Boxcar at the time of or subsequent to termination of the lease term as to such Boxcar. If such Boxcars are not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing and transporting such Boxcars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by BRAE. If such Boxcars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense (except when the termination of the Agreement is due to the fault of BRAE, then at BRAE's expense) within ten working days remove Lessee's railroad markings from the Boxcars and place thereon such minimum railroad identification markings as may be required by AAR and as designated by BRAE. After the removal and replacement of markings, Lessee shall use its best efforts to load such Boxcars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up

to ten (10) days free storage on its railroad tracks for BRAE or the subsequent lessee of any terminated Boxcar. For any storage after the tenth day hereunder, Lessee may charge BRAE published storage charges as a reasonable cost for such storage, or may, at its option, arrange for suitable storage of such Boxcar with persons not a party to this Agreement at the sole risk, cost, and expense of BRAE. If any Boxcar is terminated pursuant to Section 8, due to the fault of Lessee, prior to the end of its lease term, Lessee shall be liable to BRAE for all costs and expenses incurred by BRAE to repaint the Boxcars and place thereon the markings and name or other insignia of BRAE's subsequent lessee.

10. Indemnities

A. BRAE will defend, indemnify and hold Lessee harmless from and against any claim, (patent or otherwise), cause of action, damage, liability, fines, cost or expense (including, ^{its} affiliate Companys, officers, employees and agents and those of its affiliate companys, with respect to the Boxcars (other than loss or physical damage to the Boxcars of the kind Lessee insures against or self insures, pursuant to Section 5C) unless occurring through the fault of Lessee, including without limitation the construction, purchase and delivery of the Boxcars to Lessee's railroad line, ownership, leasing or return of the Boxcars, or as a result of or arising out of the use maintenance, repair, replacement, operation or the condition thereof, (whether defects, if any, are latent or are discoverable by BRAE or Lessee), ~~but in any case only to the extent not covered by insurance.~~

B. Any expense of any kind whatsoever incurred by Lessee, which is required under the terms of this Agreement to be borne by BRAE, shall be paid promptly by BRAE to Lessee upon written request therefore by Lessee, including, but not limited to, costs, expenses, fees and charges relating to maintenance, repair or inspection performed or caused to have performed pursuant to governmental or AAR regulations as a result of this Agreement.

11. Representations, Warranties and Covenants

Lessee and BRAE respectively represent, warrant and covenant that:

(i) Lessee and BRAE are corporations duly organized, validly existing and in good standing under the laws of the state

1. legal fees and cost) which may be asserted against lessee, its

where they are incorporated and have the corporate power, authority and are duly qualified and authorized to do business wherever necessary, to carry out their present business and operations and to own or hold under lease their properties and to perform their obligations under this Agreement.

(ii) The entering into and performance of this Agreement as of the initial Boxcar date of delivery will not violate any judgment, order, law or regulation applicable to Lessee or BRAE, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or BRAE or on the Boxcars pursuant to any instrument to which Lessee or BRAE is a party or by which they or their assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee or BRAE before any court or administrative agency or other governmental body which might result in any material adverse affect on the business, properties and assets, or conditions, financial or otherwise, of Lessee or BRAE.

(iv) There is no fact which either party has not disclosed to the other, nor is either party a party to any agreement or instrument which, so far as can now be reasonably foreseen, will materially adversely affect the ability of such party to perform its obligations under this Agreement.

(v) Lessee has during the years 1964-1968 neither leased any boxcars nor purchased any new or rebuilt boxcars.

12. Inspection

BRAE shall at any time during normal business hours have the right to enter the premises where the Boxcars may be located for the purpose of inspecting and examining the Boxcars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify BRAE of any accident connected with the malfunctioning or operation of the Boxcars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify BRAE in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Boxcar. Lessee, upon BRAE's written request shall furnish to BRAE promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefits of the parties hereto and their respective successors and assigns. Except for an assignment by BRAE to its parent or a subsidiary or affiliate or an assignment to a financial or banking institution for indebtedness incurred by BRAE, neither BRAE nor Lessee may, without the prior written consent of the other, assign this Lease Agreement or any of its rights hereunder or sublease the Boxcars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by BRAE in connection with the acquisition of the Boxcars in order to confirm the financing party's interest in and to the Boxcars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 and in furtherance of this Agreement.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Boxcars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Boxcars except as a lessee only.

D. No failure or delay by BRAE or Lessee shall constitute a waiver or otherwise affect or impair any right, power or remedy available to BRAE or Lessee nor shall any waiver or indulgence by BRAE or Lessee or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

IN WITNESS WHEREOF, the parties hereto have executed
this Agreement as of the date first above written.

BRAE CORPORATION

BY: _____

TITLE: President

DATE: June 22, 1979

ASHLEY, DREW & NORTHERN RY. CO.

BY: _____

TITLE: President

DATE: May 15, 1979

Rider No. 1 to the Lease Agreement dated as of MAY 15 1979
Between Brae Corporation and Ashley, Drew & Northern Railway
Company.

Section 13A of the Lease is deleted in its entirety
and the following Section 13A is substituted therefor:

"(i) This Agreement and each Schedule shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(ii) Except as provided in this Subsection 13A(ii), Lessee may not without the prior written consent of BRAE assign this Agreement or any of its rights hereunder or sublease any of the Cars to any party. Any such purported assignment or sublease without such consent shall be void. Notwithstanding the foregoing, Lessee may prior to the delivery of the first Car on each Schedule assign all of its rights, duties and obligations under this Agreement with respect to all but not less than all of the Cars on such Schedule to a shortline railroad which is to be organized by Lessee or a corporation which directly or indirectly owns all of the capital stock of Lessee upon the acquisition from the Illinois Central Gulf Railroad of a segment of track approximately 35 miles long located in or around Taylorsville, Mississippi, if (i) all of the capital stock of such assignee railroad is owned, directly or indirectly, by Lessee or any corporation which directly or indirectly owns all of the capital stock of Lessee, and (ii) such assignee railroad and Lessee execute and deliver to BRAE an instrument in form and substance satisfactory to BRAE pursuant to which such assignee railroad agrees to assume all of the rights, duties and obligations of Lessee under this Agreement with respect to the Cars on such assigned Schedule. Upon receipt by BRAE of such an instrument, the term "Lessee" shall, when used with respect to the Cars on such assigned Schedule refer to such assignee railroad and the Ashley, Drew & Northern Railway Company shall be relieved of all obligations and liabilities hereunder with respect to the Cars on such assigned Schedule.

(iii) Lessee agrees to acknowledge, upon receipt, any assignment of this Agreement by BRAE to an owner or secured party under any financing agreement entered into

by BRAE in connection with the acquisition of all or part of the Cars to be leased hereunder. Lessee hereby agrees that any such assignment may be with respect to all or part of the Cars to be leased hereunder and may relate to all or part of the Cars listed on any Schedule. Any assignment of this Agreement by BRAE to an owner or secured party shall not subject that owner or secured party to any of BRAE's obligations hereunder. Those obligations shall remain enforceable by Lessee solely against BRAE."


IN WITNESS WHEREOF, BRAE and Lessee have caused this Rider to be executed by their duly authorized officers as of the respective dates set forth below:

ASHLEY, DREW & NORTHERN
RAILWAY COMPANY

By 

Date May 15, 1979


BRAE CORPORATION

By 
President

Date June 22, 1979

Rider No. 2 To Lease Agreement, made as of this 15th
day of May, 1979, between BRAE CORPORATION ("BRAE")
and ASHLEY DREW & NORTHERN RAILWAY CO.

Section 6D is hereby revised by deleting such section in
its entirety and substituting in lieu thereof, the following:

 D. If the ICC shall, at any time, (1) issue an
order reducing incentive car hire payments for Cars
on an annual basis to less than three months without
a corresponding increase in straight car hire payments
or other monies available to both BRAE and Lessee at
least equal in amount to such reduction or (2) determine
that Lessee may not apply its incentive car hire
receipts in payment of the rental charges set forth in
this Section 6, ~~either (i) terminate this Agreement,~~
~~or (ii) keep this Agreement in effect except that it~~
shall be modified so that thereafter the rent which
Lessee shall pay to BRAE for the use of the Cars,
notwithstanding anything contained in Section 6A
hereof to the contrary, shall be 100% of the payments,
of whatever character, made to Lessee by other railroad
companies for their use or handling of the Cars,
including but not limited to, mileage charges, straight
car hire payments and incentive car hire payments.

BRAE CORPORATION

BY: 

TITLE: President

DATE: June 22, 1979

ASHLEY DREW & NORTHERN Rwy. CO.

BY: 

TITLE: President

DATE: May 15, 1979

Rider No. 3 to the Lease Agreement made as of MAY 15, 1976, between BRAE CORPORATION and ASHLEY, DREW & NORTHERN RAILWAY COMPANY.

A New Section 1C is added as follows:

"BRAE and Lessee agree that, as between themselves, Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal Income Tax purposes in connection with acquisition of the Cars bearing the identifying numbers 401 4100-4199 AND 5300-5399 set forth on Equipment Schedules 1 AND 2 to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and BRAE agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars."

BRAE CORPORATION

BY: 

TITLE: President

DATE: June 22, 1979

ASHLEY, DREW & NORTHERN

BY: 

TITLE: President

DATE: May 15, 1979

Rider No. 4 to the Lease Agreement made as of May 15, 1979, between BRAE Corporation and the Ashley, Drew & Northern Railway Co.

Section 1C, created in Rider No. 3 to this lease, is hereby amended by deleting such section in its entirety and substituting in lieu thereof, the following:

1C. BRAE and Lessee agree that, as between themselves, Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal Income Tax purposes in connection with acquisition of the Cars bearing the identifying numbers ADN 9700-9899 set forth on Equipment Schedule 3 to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and BRAE agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars.

BRAE CORPORATION

BY: 

TITLE: PRESIDENT

DATE: AUG 20, 1979

ASHLEY, DREW & NORTHERN RWY.

BY: 

TITLE: President

DATE: January 11, 1980

EQUIPMENT SCHEDULE No. 2

BRAE CORPORATION hereby leases the following Cars to Ashely, Drew & Northern Railway Co
pursuant to that certain Lease Agreement dated as of May 15, 1979.

A.A.R. Mech. Design	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GT	100 Ton, 7025 cu.ft. Plate C	4100-4100	60'6"				100

BRAE CORPORATION

BY:

TITLE: President

DATE: June 22, 1979

Ashley Drew + Northern

BY:

TITLE: *President*

DATE: May 15, 1979

STATE OF Arkansas }
COUNTY OF Adams }

On this 15th day of May, 1979, before me personally appeared S. R. Jedd to me personally known, who being by me duly sworn says that such person is Pres of ADN. Ry., that the foregoing Lease Agreement, Rider(s) No. 1, 2, 3 and Equipment Schedule(s) No. 1 were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

Cora Sue Gill

Notary Public

STATE OF California }
COUNTY OF San Francisco }

On this 22nd day of June, 1979, before me personally appeared H. J. Texido, to me personally known, who being by me duly sworn says that such person is President of BRAE CORPORATION, that the foregoing Lease Agreement, Rider(s) No. and Equipment Schedule(s) No. were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

M. Battle

Notary Public



EQUIPMENT SCHEDULE No. 2

BRAE CORPORATION hereby leases the following Cars to Ashley, Drew & Northern Railway..
pursuant to that certain Lease Agreement dated as of May 15....., 1979.

A.A.R. Mech. Design	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XP	70 ton, Plate C Free rolling door sliding sill cushioning	5300-5499	52'6"	9'6"	11'1"	12' single	200

BRAE CORPORATION

BY: 

TITLE: President

DATE: June 22, 1979

ASHLEY, DREW & NORTHERN

BY: 

TITLE: President

DATE: May 15, 1979

STATE OF Arkansas
COUNTY OF Adams

On this 15th day of May, 1979, before me personally appeared S.R. Liddell to me personally known, who being by me duly sworn says that such person is Pres. of A.D.N. Inc., that the foregoing Lease Agreement, Rider(s) No. 1, 2, 3 and Equipment Schedule(s) No. 2 were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

Cora Sue Gice

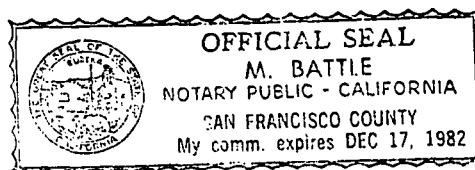
Notary Public

STATE OF California
COUNTY OF San Francisco

On this 22nd day of June, 1979, before me personally appeared W.J. Texido to me personally known, who being by me duly sworn says that such person is President of BRAE CORPORATION, that the foregoing Lease Agreement, Rider(s) No. and Equipment Schedule(s) No. were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

M. Battle

Notary Public



EQUIPMENT SCHEDULE No. 3

BRAE CORPORATION hereby leases the following Cars to Ashley, Drew & Northern Railway.. pursuant to that certain Lease Agreement dated as of May 15, 1979.

A.A.R. Mech. Design	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XM	70 ton, Plate C Free rolling door, sliding sill cushioning	9700-9899	52'6"	9'6"	11'1"	12' single	200

BRAE CORPORATION

BY: 

TITLE:

President

DATE:

June 22, 1979

ASHLEY, DREW & NORTHERN

BY: 

TITLE:

President

DATE:

May 15, 1979

STATE OF Arkansas
COUNTY OF Asheville

On this 15th day of May, 1979, before me personally appeared S. R. Leland to me personally known, who being by me duly sworn says that such person is Pres. of A. D. N. Rep., that the foregoing Lease Agreement, Rider(s) No. 2, 3 and Equipment Schedule(s) No. 3 were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

Cora Sue Gice

Notary Public

STATE OF California
COUNTY OF San Francisco

On this 22nd day of June, 1979, before me personally appeared W. J. Texido to me personally known, who being by me duly sworn says that such person is President of BRAE CORPORATION, that the foregoing Lease Agreement, Rider(s) No. and Equipment Schedule(s) No. were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

M. Battle

Notary Public

